

HARDWARE & LUMBER LTD 2000

Statement from The Chairman & The Managing Director

The Hardware & Lumber Group continued its profitable growth performance in 2000 despite the difficulties in the economy. All the Group's main divisions, retail, wholesale, agri and marine and office services, made positive contributions.

The Group recorded a 34% increase in net profits, which moved from \$31.9M in 1999 to \$42.6M. These profits were generated on sales of \$1,365M, an increase of 12% over 1999's sales of \$1,216M.

Earnings per share increased to \$1.06, an increase of 28% over 1999's earnings of \$0.80. The net asset value of the company's ordinary shares at December 2000 was \$9.82 compared to \$9.25 for 1999. Working capital increased to \$118M from \$117M in the previous year.

H & L True Value Limited

Despite the contraction in consumer spending generally in the economy during 2000, the Division recorded a respectable 14% increase in sales over 1999. All but one of our stores recorded sales growth above inflation over the period.

In pursuit of our objective to attract a wider socio-economic grouping to our stores, the division made significant adjustments to its pricing policy during the period. It communicated a new low price image to the market through its slogan 'Great Store, Great Prices' while maintaining our reputation for good customer service and attractive store presentation.

With over 26,000 products and five store locations, assortment planning and inventory

management are critical to sales and profitability. In this respect, we have devoted significant resources to achieving the right balance and regard this as a major objective for 2001.

H&L Agri and Marine Company
Limited

The H & L Agri and Marine Division recorded a decline of 1% in sales for 2000 compared to 1999. The general demand for agricultural inputs was affected negatively by the acute drought conditions that existed for the greater part of the year and the insecurities in the world market conditions for banana and sugar cane in particular.

The gross profit margins also suffered as a result of the intense effort to attract business and to maintain movement of the inventory in the market.

During the year, the company continued its program of technical support to customers involved in agricultural production through the regular and consistent training of farmers and other related agricultural personnel. The company also introduced new technologies to the sector to ensure future security of sales and profitability.

The Marine Division performed satisfactorily in spite of the protracted closure of the conch season. A programme has been developed to seek out opportunities in the water sport segment of the market.

The Wholesale Division recorded a 13% increase in sales for 2000 over 1999. This performance is partially attributable to the withdrawal from the market of Facey Hardware and the subsequent purchase of their business by H & L.

Notwithstanding the fallout of the big competitors, there has been an emergence of a number of small nontraditional competitors, with the primary effect of depressing gross margins.

The improved performance in the management of the inventory and accounts receivable were maintained for 2000. These two critical areas will continue to be of primary focus in order to ensure the viability of this business.

Office Services Limited

This Division, comprising Scaffolding Rental and Office Maintenance, achieved a 22% increase in

sales for 2000 over 1999.

Scaffolding Rental continued to hold its own in a sector of the construction industry most affected by the absence of activity.

The Office Maintenance Department achieved a high contract retention rate as well as the acquisition of new contracts.

General

Preliminary reports indicate the Jamaican economy may have produced growth of about 1% in calendar 2000, a significant improvement over the last several years. This development is most welcomed as our Group has probably extracted as much cost savings as it can without hurting customer service and now more than ever needs economic growth to drive sales and profitability.

The Board wishes to express its gratitude to the Management and staff for the respective contributions to the performance of the companies during the review period and to our valued customers and shareholders for their continued support.

Richard O. Byles.
Chairman

A. Anthony Holness
Managing Director
